

Town of Oyster Bay Management Plan
to Eliminate Fund Deficits, Structurally Balance the Budget,
and Generate Surplus on a Recurring Basis
April 25, 2016

As detailed below, the Town of Oyster Bay has developed a specific plan to bring its budget into structural balance in 2017 and eliminate all accumulated deficit by 2018. The measures presented here are entirely within the Town's control; the plan does not require action by any other governmental agency or any other outside entity. Although the specific elements of the plan ultimately implemented by the Town may vary somewhat from the particulars presented here, the overall outcome is certain. One way or another, the Town will achieve the goal of financial stability through a combination of measures at its disposal, including increased revenues and decreased expenses. Some of these initiatives are already in place, some are in progress, and some are will occur in the near future.

In the 2015 budget, the Town reduced discretionary spending from \$14 million to \$7 million. That \$7 million represents just 2.5 percent of the overall budget. The other 97.5 percent of the budget is fixed, between employee salaries, employee benefits, utility charges, current debt service, etc. The Town retained this \$7 million reduction in the 2016 budget and commits to maintaining discretionary spending at that level.

In 2012, the Town budgeted for the receipt of \$12.4 million for Litigation Recoveries in our Sanitation and Solid Waste Funds. When that revenue did not materialize, it had a negative effect on the fund balances in the two districts that is still felt today. In April 2016, the Town reached an agreement with Nassau County to settle the litigation budgeted in 2012, along with other judgments and settlements the Town has paid for a similar purpose. The County is set to pay the Town a total of \$26.7 million in this settlement, with \$13 million to be paid to the Town by the end of May 2016 and the remaining \$13.7 million to be paid by the end of the first quarter of 2017. This money will be treated as revenue to the Sanitation and Solid Waste Funds, which will have a profoundly positive effect on the respective fund balances.

The Town is currently in the middle of a retirement incentive, which expires in July of this year; although special allowance is being made for employees who first become eligible for retirement between July and the end of 2016. Employees who retire under this program will receive a bonus of \$1,000 for every completed year of service, along with an assurance that their benefits in retirement will be defined under the terms of the current labor contract, including guaranteeing health care coverage for life at no cost to the employee. The Town had a similar incentive in 2012, which resulted in 90 employees retiring. As of today, 17 employees have already retired this year, six have filed paperwork with retirement dates upcoming, and 19 have made appointments with the Human Resources Department to complete retirement paperwork. An additional 100 employees are eligible to retire this year without penalty from the New York State Retirement System (i.e., 55 years of age with 30 years of service, or 62 years of age with five years of service). Given the uncertainty of the upcoming Union contract, as detailed below, we expect that the total number of retirees under the current incentive program will match the 90 retirements in 2012. For the purposes of this plan, however, it is conservatively estimated that only a total of 60 employees will retire (i.e., only eighteen more than the total of 42 employees who either have retired since January 1, or who already are scheduled for retirement or scheduled to file for retirement this year).

Sixty retirees with an average yearly salary of \$100,000 and an additional \$25,000 cost for social security and retirement system expenses will save the Town \$7.5 million per year starting in 2017. Furthermore, the Town Board will adopt a “hiring freeze” to ensure that these savings are not diminished by subsequent expansion of the work force.

The current Union contract expires at the end of 2016. Management is prepared to use all of its resources to generate additional personnel cost savings during the life of the new contract. Potentially, the new contract could generate additional savings in a number of ways, including, but not limited to, employee contribution to health insurance (\$2 million), removal of Health Insurance Buyback program (\$1.5 million), removal of Sanitation Employee Productivity clause (\$600,000) and removal of Sanitation Employee Yard Waste Pickup Program Overtime (\$600,000). Another course of action that is governmentally efficient and cost-effective is the proposed merger of our Sanitation and Recycling Divisions in the Department of Public Works. Currently, both sets of employees work on Monday, Tuesday, Thursday and Friday. Management will propose that sanitation collection continue on those four days each week, and that those same employees undertake recyclables collection on Wednesdays, presently a day off. This action would reduce the workforce needed to perform sanitation/recycling collections by 40 positions, saving the Town approximately \$4 million yearly, between salaries and benefits. In the event that the Union does not accept the foregoing measures, Management is prepared to undertake other workforce reductions to achieve the equivalent cost savings.

The Town is committed to reducing its overall debt load. Management acknowledges that overall debt has risen significantly in the past ten years due to prudent investments in maintaining and enhancing both the Town’s infrastructure and open space. The Town Board has established a policy of requiring that new debt in a given year be less than the debt principal to be paid in that year. The Board will adopt a formalized “Capital Reduction Plan”, and has indicated a willingness to cap the annual issuance of new debt at 75 percent of the debt principal due to be paid in the same year. For example, if debt schedules showed a \$60 million dollar pay-down in principal in 2017, a maximum of \$45 million would be authorized to be borrowed in that year.

In addition to the measures described above, as a final component of its Plan the Town is committed to adopting a tax increase to generate sufficient recurring revenues as is necessary to create surpluses in the Town’s major funds. While the Town Board does not prefer to ask its constituents to pay additional taxes, they have certainly showed the will to do so when necessary. Between 2013 and 2015, Town tax levies were raised by a cumulative total of just over 20 percent, including 8.8 percent increases in both 2014 and 2015. Each one percent increase in the Town levy for 2017 would generate approximately \$2 million in recurring revenue.